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BEFORE THE ARIZONA CORPORATION COMMISSION

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JUN 30 2000

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DOCKET NO. T-03767A-99-0442

DECISION NO. 62725

OPINION AND ORDER

CARI J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF
PRISM ARIZONA OPERATIONS, LLC FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE RESOLD AND
FACILITIES-BASED LOCAL EXCHANGE,
INTEREXCHANGE CARRIER ACCESS, AND
INTEREXCHANGE TOLL SERVICE WITHIN
THE STATE OF ARIZONA AND PETITION FOR
COMPETITIVE CLASSIFICATION OF
PROPOSED SERVICES.

DATE OF HEARING: June 5, 2000

PLACE OF HEARING: Phoenix, Arizona

PRESIDING OFFICER: Stephen Gibelli

APPEARANCES: Ms. Julie Kaminsky, on behalf of Prism Arizona
Operations, LLC;

Ms. Jennifer Prendiville, FENNEMORE CRAIG, P.C.,
on behalf of U S WEST Communications, Inc.,
Intervenor, and;

Mr. Devinti M. Williams, Staff Attorney, Legal
Division, on behalf of the Utilities Division of the
Arizona Corporation Commission.

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the
Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. Prism Arizona Operations, LLC ("Applicant" or "Prism") is a Delaware corporation,
authorized to do business in Arizona since 1999.

2. On August 4, 1999, Prism filed with the Commission an application for a Certificate
of Convenience and Necessity ("Certificate") to provide competitive resold and facilities-based local
exchange, interexchange carrier access, and interexchange toll telecommunications services in

1 Arizona.

2 3. On October 14, 1999, U S West Communications, Inc. ("U S WEST") filed a Motion
3 for Leave to Intervene, and was granted intervention on October 28, 1999.

4 4. On February 29, 2000, the Commission's Utilities Division Staff ("Staff") filed its
5 Staff Report, which recommended approval of the application and included a number of additional
6 recommendations.

7 5. On May 31, 2000, the Applicant filed Affidavits of Publication indicating that it has
8 published notice of the application.

9 6. Pursuant to the April 7, 2000 Procedural Order, a hearing was held on June 5, 2000,
10 and Applicant and Staff presented evidence. U S WEST cross-examined witnesses, but did not
11 present any evidence.

12 7. U S WEST and Prism have reached an interconnection agreement that was approved
13 by the Commission in Decision No. 62366.

14 8. The management of Prism has many years of experience in the telecommunications
15 industry.

16 9. Applicant has the technical capability to provide the services that are proposed in its
17 application.

18 10. Currently there are several incumbent providers of competitive resold and facilities-
19 based local exchange, interexchange carrier access, and interexchange toll telecommunications
20 services in the service territory requested by Applicant, and at least twelve other entities have been
21 authorized to provide competitive local exchange services in all or portions of that territory.

22 11. It is appropriate to classify all of Applicant's authorized services as competitive.

23 12. The Staff Report stated that the Applicant has no market power and the reasonableness
24 of its rates would be evaluated in a market with numerous competitors.

25 13. Staff recommended that Prism's application for a Certificate to be granted subject to
26 the following conditions:

- 27 (a) That Prism be required to file its tariffs within 30 days of an Order in this
28 matter, and in accordance with this Decision;

- (b) That, unless it provides services solely through the use of its own facilities, Prism procure an Interconnection Agreement before being allowed to offer local exchange service;
- (c) That Prism file with the Commission its plan to have its customers' telephone numbers included in the incumbent's Directories and Directory Assistance databases within 30 days of an Order in this matter;
- (d) That Prism pursue permanent number portability arrangements with other LECs pursuant to Commission rules, federal laws, and federal rules;
- (e) That Prism agree to abide by and participate in the AUSF mechanism instituted in Decision No. 59623, dated April 24, 1996 (Docket No. R-0000-95-0498);
- (f) That Prism abide by the quality of service standards that were approved by the Commission for USWC in Docket No. T-01051B-93-0183;
- (g) That in areas where Prism is the sole provider of local exchange service facilities, Prism will provide customers with access to alternative providers of service pursuant to the provisions of Commission rules, federal laws, and federal rules;
- (h) That Prism be required to certify, through the 911 service provider in the area in which it intends to provide service, that all issues associated with the provision of 911 service have been resolved with the emergency service providers before it begins to provide local exchange service;
- (i) That Prism be required to abide by all the Commission decisions and policies regarding CLASS services;
- (j) That Prism be required to comply with A.A.C. R14-2-1111, which requires local exchange companies provide 2-PIC equal access;
- (k) That Prism be required to certify that all notification requirements have been completed prior to a final determination in this proceeding; and,
- (l) That Prism be required to abide by all Commission rules and regulations.

14. According to Staff, Prism has submitted the financial statements of its parent company Prism Communications Services, Inc. ("PCSI") for the year ending May 31, 1999. These financial statements list assets of \$86.36 million, negative retained earnings of \$6.12 million, and total stockholder equity of \$46.63 million. However, PCSI is 98.5% owned by Comdisco, Inc., which as of March 31, 1999, had total assets of \$7.7 billion and annualized revenues of \$3.8 billion. Comdisco has offered PCSI an uncommitted revolving line of credit in the amount of \$100 million that will ensure PCSI, and therefore, the Applicant has the financial ability to provide the proposed services.

15. Based on the financial information provided, Staff believes that Prism has sufficient

1 financial strength to offer telecommunications services in Arizona.

2 16. On May 30, 2000, U S WEST filed comments requesting that Prism's Certificate be
3 geographically limited to the areas that it can serve and intends to serve in the near future; that the
4 Commission should specify that Prism is a public service corporation and it is required to operate as a
5 carrier of last resort; and that Prism should be subject to fair rate of return and rate base requirements.

6 **CONCLUSIONS OF LAW**

7 1. Applicant is a public service corporation within the meaning of Article XV of the
8 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

9 2. The Commission has jurisdiction over Applicant and the subject matter of the
10 application.

11 3. Notice of the application was given in accordance with the law.

12 4. A.R.S. § 40-282 allows a telecommunications company to file an application for a
13 Certificate to provide competitive telecommunications services.

14 5. Pursuant to Article XV of the Arizona Constitution as well as the Arizona Revised
15 Statutes, it is in the public interest for Applicant to provide the telecommunications services set forth
16 in its application.

17 6. With the conditions stated below, Prism is a fit and proper entity to receive a
18 Certificate authorizing it to provide competitive resold and facilities-based local exchange,
19 interexchange carrier access, and interexchange toll telecommunications services in Arizona.

20 7. The telecommunications services that the Applicant intends to provide are competitive
21 within Arizona.

22 8. Pursuant to Article XV of the Arizona Constitution as well as the Competitive Rules,
23 it is just and reasonable and in the public interest for Applicant to establish rates and charges which
24 are not less than the Applicant's total service long-run incremental costs of providing the competitive
25 services approved herein.

26 9. Staff's recommendations in Findings of Fact No. 13 are reasonable and should be
27 adopted.

28 ...

ORDER

IT IS THEREFORE ORDERED that the Application of Prism Arizona Operations, LLC for a Certificate of Convenience and Necessity for authority to provide competitive resold and facilities-based local exchange, interexchange carrier access, and interexchange toll telecommunications services in Arizona shall be, and is hereby, granted, as conditioned below.

IT IS FURTHER ORDERED that prior to providing local exchange service, Prism Arizona Operations, LLC shall comply with all of the Staff recommendations set forth in Findings of Fact No. 13.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 30th day of June, 2000.

BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT
SG:bbs

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SERVICE LIST FOR:

PRISM ARIZONA OPERATIONS, LLC

DOCKET NO.:

T-03767A-99-0442

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